



Policy Statement

TO: Hospital Administrators
Hospital CFO's
Consultants

FROM: Sonia D. Chambers, Chair

A handwritten signature in black ink that reads "Sonia D. Chambers". The signature is written in a cursive style and is positioned to the right of the printed name "Sonia D. Chambers, Chair".

DATE: March 22, 2006

RE: Policy Statement 2006-3
New Service as Justification of an Overage
(Inpatient and Outpatient)

Effective Date: Hospital Fiscal Year 2007 compliance

The purpose of this policy statement is to establish the calculation format and impact of a new service (which has been approved by the Rate Review Division) on the most recent rate order limits. No other calculation format will be accepted as justification.

Pursuant to WV C.S.R. §65-5-10.3, the Authority currently takes into consideration a new service to justify an overage.

This policy statement clarifies the methodology to use when proposing a new service as justification for an overage:

Include revenue as well as utilization to more accurately reflect the effect of the new service on the revenue limits.

The new procedure is as follows:

- 1- Remove the approved new service completely, revenue and utilization, from the analysis to determine rate compliance (as if the new service had not begun).
- 2- Then look at the rate with the new service included.
- 3- The difference between the rate with the new service and without the new service is the amount that can be used for the justification of an overage.

See attached template model

NOTE: In order to use a New Service as justification for an overage it must have been submitted, prior to implementation, to the Rate Review Division and received approval (WV C.S.R. §65-5-13).

New Service Justification

In order to use a New Service as justification for an overage it must have been submitted previously to the Rate Review Division and received approval (WV C.S.R 65-5-13).

If the New Service is for both inpatient and outpatient, complete the entire form. However, if the New Service is only inpatient or outpatient then only complete the applicable portion of the form.

TABLE A

FY 200__ Projected Actual

INPATIENT

1	Nongovernmental Acute Inpatient Revenue		
2	Divided by: Nongovernmental Acute Discharges		
3	Average Projected Actual Charge per Discharge		
4	Less: FY 200__ Allowed or Wtd. Allowed*		
5	FY 200__ Inpatient Overage**		

*Must match CBM-9/B9 – Line 4 of the rate application

**Must match CBM-9/B9 – Line 5 of the rate application

OUTPATIENT

1	Nongovernmental Acute Outpatient Revenue		
2	Divided by: Nongovernmental Acute Visits		
3	Average Projected Actual Charge per Visit		
4	Less: FY 200__ Allowed or Wtd. Allowed*		
5	FY 200__ Outpatient Overage**		

*Must match CBM-9/B9 – Line 4 of the rate application

**Must match CBM-9/B9 – Line 5 of the rate application

TABLE B

New Service Calculation

INPATIENT

			FY 200__ Current Year Projected Actual
1	New Service*	Nongov't Revenues	
2		Nongov't Discharges	
3		Nongov't Avg/Disch.	
4	New Service*	Nongov't Revenues	
5		Nongov't Discharges	
6		Nongov't Avg/Disch.	
7	Totals	Nongov't Revenues	
8		Nongov't Discharges	
9		Nongov't Avg/Disch.	

OUTPATIENT

			FY 200__ Current Year Projected Actual
1	New Service*	Nongov't Revenues	
2		Nongov't Visits	
3		Nongov't Avg/Visit	
4	New Service*	Nongov't Revenues	
5		Nongov't Visits	
6		Nongov't Avg/Visit	
7	Totals	Nongov't Revenues	
8		Nongov't Visits	
9		Nongov't Avg/Visit	

*The actual name of the new service should be submitted in place of "New Service".

TABLE C

"Calculated" Per Discharge and/or Visit Tables

INPATIENT

		FY 200__ Nongov't Projected Actual (From Table A)	Less: Total FY 200__ Pj. Actual New Services (From Table B—lines 7 and 8)	"Calculated" Revenue per Discharge
1	Revenue			
2	Discharges			
3	Avg. per Disch.			

OUTPATIENT

		FY 200__ Nongov't Projected Actual (From Table A)	Less: Total FY 200__ Prj. Actual New Services (From Table B – lines 7 and 8)	"Calculated" Revenue per Visit
1	Revenue			
2	Visits			
3	Avg. per Visit			

TABLE D

Dollar Value of New Services

INPATIENT

1	Projected Actual Revenue per Disch. (from Table A - Inpatient, line3)	
2	Less: "Calculated" Revenue per Discharge (from Table C - Inpatient, line3)	
3	Increase in Average Charge per Discharge due to New Service	

OUTPATIENT

1	Projected Actual Revenue per Visit (from Table A - Outpatient, line3)	
2	Less: "Calculated" Revenue per Visit (from Table C - Outpatient, line3)	
3	Increase in Average Charge per Visit due to New Service	